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E.O. 12958: DECL: 12/22/2016

TAGS: EAIR ECON PREL CH TW

SUBJECT: CROSS-STRAIT WEEKEND AND CARGO CHARTER FLIGHTS -
NOT BEFORE APRIL

REF: A. TAIPEI 3963

1B. TAIPEI 4063
1C. TAIPEI 4123

Classified By: AIT Economic Section Chief Daniel K. Moore, Reason 1.4 d

¶1. (C) Summary: On December 20, Taipei Airlines Association (TAA) Chairman Tony C.C. Fan speculated that April 1, 2007, was the earliest date possible for cross-Straight cargo and weekend passenger charter flights. Fan's projection is consistent with the most recent comments from the Mainland Affairs Council (MAC) and industry contacts on timing for a cross-Straight tourism agreement. Hence, no breakthrough on these initiatives is likely until after the Lunar New Year holiday in February. End summary.

¶2. (C) On December 20, 2006, TAA Chairman Tony C.C. Fan told AIT/T that he believed the earliest date Taiwan and the PRC could implement cross-Straight cargo and weekend passenger charter flights would be April 1, 2007. As TAA Chairman, Fan is one of the key participants in charter flight discussions. He is also Chairman of TransAsia Airways. Fan reported that he had traveled with William Hsu, Secretary General of TAA, and Lin Chih-min, Director of Ministry of Transportation and Communications' Aviation Department, to the Mainland for a meeting with Chinese counterparts on December 17.

¶3. (C) Fan said the two sides still differ on three issues: the number of passenger flights, the number of cargo flights, and whether to assign carriers to specific routes. On passenger flights, Fan backtracked from previous statement (ref A) that the two sides had already agreed to 24 flights per week. In our more recent discussion, he told us that the PRC is now pushing for 30 flights per week, while Taiwan wants to keep the number limited to 24. On the other hand, Taiwan wants more cargo flights than China -- 30 per month compared to 15. Fan believes the most likely outcome is the lower number proposed in each category -- 24 passenger flights per week and 15 cargo flights per month.

¶4. (C) Fan said Beijing has proposed assigning carriers to specific routes. He noted that carriers had not been assigned for any previous charter flights. He fears that if such assignments are made, the pro-independence Taiwan

Solidarity Union (TSU) will criticize the agreement for establishing regular cross-Straits flights instead of charters.

15. (C) Comment: Fan's April 1 projection is consistent with what Mainland Affairs Council Economics Division Director Fu Don-cheng and Taipei Association of Travel Agents Chairman Yao Ta-kuang have speculated on timing for an agreement on tourism (ref C). It appears that a breakthrough on these initiatives is unlikely until after the Lunar New Year holiday in February.

WANG